

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 COME-00 EB-07 L-03 CIAE-00

INR-07 NSAE-00 SS-15 NSC-05 OMB-01 TRSE-00 OPIC-03

AID-05 H-02 /059 W

----- 088952

P 020940Z JAN 76

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC PRIORITY 3470

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

C O N F I D E N T I A L SECTION 1 OF 2 ISLAMABAD 0022

E.O. 11652: GDS

TAGS: BEXP, PK

SUBJECT: CHEMTEX

REF: STATE 304627,

1. PRIME MINISTER BHUTTO TELEPHONED ME FROM KARACHI WEDNESDAY EVENING IN WHAT INITIALLY APPEARED TO BE FOR THE PURPOSE OF EXTENDING FRIENDLY NEW YEAR'S EVE GREETINGS TO MY FAMILY AND ME. LATER HE SAID HE WAS ALSO CALLING RE THE CHEMTEX SITUATION. HE SAID THAT RAFI RAZA HAD BROUGHT HIM UP-TO-DATE AS TO WHERE THINGS STOOD A COUPLE OF DAYS PREVIOUSLY AND HE HAD UNDERSTOOD FROM HIM THAT I WOULD BE UNCONCERNED AND ACQUIESCE IN SEEING THE CONTRACT GO TO THE GERMANS. HE TOLD ME THAT HE HAD THEREFORE BEEN SURPRISED TO RECEIVE A CABLE FROM THE PRESIDENT OF CHEMTEX WHO WISHED TO TRAVEL TO PAKISTAN TO SEE HIM.

2. I TOLD BHUTTO I WAS GREATLY SURPRISED AT WHAT HE SAID AND THAT THIS SEEMED TO BE ANOTHER ONE OF THOSE MIS-UNDERSTANDINGS WHICH HAD BEEN SO PREVALENT THROUGHOUT THIS LONG AND PAINFUL PROCESS. I TOLD HIM OUR COMPANIES WERE VERY UPSET INDEED AND THAT I WAS UNDER THE IMPRESSION HE MIGHT BE HEARING FROM HIGH OFFICIALS OF ALL THREE COMPANIES CONCERNED.

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I SAID I ALSO HAD A MESSAGE THAT STATE AND COMMERCE

WERE DEEPLY DISTURBED. I TOLD HIM THE MATTER COULD NOT HAVE ENDED ON A WORSE NOTE. REFERRING TO MY DISCUSSION WITH RAFI RAZA ON THE AFTERNOON OF DECEMBER 22 (EMBTel 11828), I SAID I WAS GIVEN TO UNDERSTAND THAT A SATISFACTORY CERTIFICATION BY DUPONT WAS THE ONLY THING STANDING IN THE WAY OF A SUCCESSFUL CONCLUSION OF A CONTRACT WITH US. I SAID RAZA HAD VOLUNTEERED THAT HE REALIZED THE TYPE OF CERTIFICATION THEY WERE REQUESTING OF DUPONT WAS OF A NATURE THAT DUPONT NORMALLY DID NOT PROVIDE. HE HAD SUGGESTED THAT WE LEAVE IT TO THE NEGOTIATORS TO SEE IF THEY COULD STRAIGHTEN THIS OUT. I AGREED.

3. I INFORMED BHUTTO THAT AFTER THE MEETING WAS OVER I HAD ASKED CHEMTEX TO GET WORK TO DUPONT FROM ME WITHOUT DELAY AS TO JUST WHERE THINGS STOOD, AND (UNFORTUNATE AS IT NOW WOULD APPEAR) THEY COULD RELAY MY PERSONAL CONVICTION THAT THEY WOULD GET THE CONTRACT IF THEY COULD PRODUCE THE REQUIRED CERTIFICATION VERY QUICKLY AS TIME WAS INDEED RUNNING OUT. I SAID SENIOR OFFICIALS IN NEW YORK HAD BEEN TELEPHONED IMMEDIATELY ALTHOUGH IT WAS IN THE MIDDLE OF THE NIGHT THERE, A MEETING ARRANGED AT WILMINGTON EARLY THE NEXT MORNING, AND THE REQUIRED AND ACCEPTABLE CERTIFICATION ARRIVED IN KARACHI BEFORE DAYLIGHT (LESS THAN TWELVE HOURS AFTER THE RAFI RAZA MEETING) WHILE BUSINESS OFFICES WERE STILL CLOSED. I SAID I WAS UTTERLY AMAZED TO HEAR LATER ON THAT RAFI RAZA HAD DIRECTED THAT A LETTER BE WRITTEN SOMETIME DURING THE NIGHT (AND RECEIVED BY OUR PEOPLE THE NEXT MORNING) WHICH SET THE TERMINAL TIME ALLOWED TO US AT 6:00 P.M. THE EVENING BEFORE. IN OTHER WORDS, RAFI RAZA HAD ONLY ALLOWED US BETWEEN AROUND MIDNIGHT NEW YORK TIME AND ROUGHLY 6:00 A.M. THE NEXT MORNING TO GET THE MATTER STRAIGHTENED OUT.

4. I TOLD BHUTTO THAT SUBSEQUENT TO THAT UNFORTUNATE NIGHT RAFI RAZA HAD ASKED ME TO HIS HOME. HE HAD EXPLAINED TO ME THAT THE NATURE OF THE FILE ON THIS CASE LED HIM TO THE CONCLUSION THAT HE MIGHT BE CHARGED WITH CORRUPTION IF THE CONTRACT FINALLY

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WENT TO THE AMERICANS AFTER ALL THE DELAY ON OUR SIDE. I SAID I HAD TOLD RAZA THAT OUR FILE ON THE CASE, WHICH HAD BEEN METICULOUSLY KEPT, CERTAINLY COULD NOT LEAD ANYONE TO THAT TYPE OF CONCLUSION. RAZA HAD TOLD ME, HOWEVER, THAT HE WOULD NOT PROCEED FURTHER WITHOUT CHECKING WITH HIM (BHUTTO). HE HAD TOLD ME THAT HE WOULD TELL THE PRIME MINISTER OF MY KEEN DISAPPOINTMENT AS TO HOW THIS MATTER HAD APPARENTLY

BEEN HANDLED. BHUTTO INTERRUPTED TO SAY THAT RAZA HAD CONVEYED THE OPPOSITE IMPRESSION TO HIM. I TOLD BHUTTO THAT, MUCH AS I REGRETTED TO SAY SO, THAT JUST WAS NOT TRUE.

5. BHUTTO WAS CLEARLY TROUBLED BY MY REMARKS AND GAVE THE IMPRESSION HE DID NOT KNOW JUST WHAT TO DO. I THINK HE WAS PROBABLY UNDER THE IMPRESSION THAT RAFI RAZA HAD BY THEN GIVEN THE FINAL GO-AHEAD TO THE GERMANS AND THAT, IF THAT WERE THE CASE, IT WOULD

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC PRIORITY 3471

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

C O N F I D E N T I A L SECTION 2 OF 2 ISLAMABAD 0022

BE MOST AWKARD AND PERHAPS IMPOSSIBLE FOR HIM TO REVERSE IT. WE ARE AS WELL IN THE DARK ON THIS AS RAZA, LIKE BHUTTO, HAS BEEN ABSENT FROM THE CAPITAL EITHER IN KARACHI OR QUETTA SINCE MY LAST MEETING WITH HIM. BHUTTO LEFT IT WHAT WE WOULD TALK FURTHER IN LARKANA ON THIS MATTER, EITHER WHEN I TAKE MCGOVERN THERE ON MONDAY, OR DURING THE DUCK SHOOT SCHEDULED FOR TUESDAY MORNING.

6. COMMENT: THIS HAS BEEN AN UNUSUALLY FRUSTRATING CASE AND ONE WHICH I HAVE BEEN UNUSUALLY DEEPLY INVOLVED. OUR EMBASSY, AND TO SOME EXTENT THE CONSULATE GENERAL IN KARACHI, HAS LITERALLY SPENT HUNDREDS OF MAN HOURS ON THE MATTER. AND YET I FEAR

THAT OUR COMMERCIAL COMPANIES MAY HAVE THE FEELING THAT WE HAVE LET THEM DOWN IF THE CONTRACT SHOULD GO TO THE GERMANS. THE QUESTION UPPERMOST IN MY MIND FURING THE LATTER PHASES OF THESE NEGOTIATIONS HOWEVER HAS BEEN JUST KOW FAR I SHOULD TRY TO GO, BEARING IN MIND OUR OVERALL RELATIONSHIP, AND OUR PRESENT AND FUTURE RELATIONSHIPS IN THE BUSINESS FIELD, IN FORCING A CABINET MEMBER (AND ONE CLOSE TO HIM) INTO A CORNER WITH BHUTTO. RAFI RAZA HEADS UP MINISTRIES WHICH NOT ONLY OVERSEE MOST OF OUR CONFIDENTIAL

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INVESTMENTS HERE BUT WHICH ARE ALSO ENGAGED IN NEGOTIATIONS WITH OTHER AMERICAN AND FOREIGN COMPANIES IN THE ERECTION OF NEW PUBLIC SECTOR PLANTS.

7. IT HAS CERTAINLY BEEN OBVIOUS TO ME, AND FOR REASONS WHICH REMAIN OBSCURE, THAT RAFI RAZA DID GET HIMSELF IN A BOX BETWEEN US AND THE GERMANS IN WHICH THERE WAS REALLY NO WAY OUT. I HAD WRITTEN A LETTER TO BHUTTO LONG AGO ASKING TO SEE HIM ON THIS CASE AND MET WITH HIM ON THE EVENING OF NOVEMBER 22. HE HAD RAZA PRESENT AND OUR CONFLICTING VIEWPOINTS EMERGED SHARPLY BEFORE BHUTTO. HE HAS THEREFORE BEEN AWARE OF MY STRONG FEELINGS IN THIS CASE FOR SOME TIME. AFTER THIS INTERVENTION, IT BECAME OBVIOUS BY THE MANNERISIMS OF THE NEGOTIATORS INVOLVED ON THE PAK SIDE THAT THEY HAD BEEN TOLD TO CONTINUE TO WORK WITH US. I THEREFORE FELT WE WERE IN GOOD SHAPE UNTIL THE UNFORTUNATE EVENTS OF THE NIGHT OF DECEMBER 22. PERHAPS I COULD HAVE SAVED IT IN THE END BY CHASING BHUTTO DOWN IN KARACHI OR QUETTA, BUT THE APPEARANCE OF HIGH PRESSURE TACTICS WOULD HAVE BEEN PRETTY OBVIOUS AND THERE WOULD ALSO ALSO HAVE BEEN LEFT A CONCERN OF POSSIBLE RETALIATION OVER TIME AFFECTING OTHER COMPANIES.

8. I FEEL I WILL JUST HAVE TO PLAY THIS ONE BY EAR WHEN I SEE BHUTTO EARLY NEXT WEEK. THE DEED MAY IN FACT HAVE BEEN DONE. IF IT HAS, I THINK THAT LITTLE PURPOSE WOULD BE SERVED BY MY BELABORING THE ISSUE FURTHER WITH THE PRIME MINISTER AND HAVING IT BECOME MORE A COURCE OF CONTENTION BETWEEN US THAN OUR OWN OVERALL U.S. INTERESTS HERE WARRANT. IN ANY EVENT, IT MUST BE OBVIOUS THAT A SEVERE STRAIN HAS BEEN PUT UPON OUR FUTURE RELATIONSHIP WITH RAFI RAZA WHICH IS UNFORTUNATE AS HE IS GENERALLY A CAPABLE LIEUTENANT OF BHUTTO'S AND HEADS THE IMPORTANT MINISTRIES OF PRODUCTION AND INDUSTRY. BYROADE

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